

04-757

AGREEMENT BETWEEN  
THE GOVERNMENT OF THE UNITED STATES OF AMERICA  
AND THE GOVERNMENT OF THE REPUBLIC OF HONDURAS  
REGARDING THE REDUCTION  
OF CERTAIN DEBTS OWED TO, GUARANTEED BY, OR INSURED BY  
THE UNITED STATES GOVERNMENT

The Government of the United States of America (the "United States") and the Government of the Republic of Honduras ("Honduras") agree as follows:

## ARTICLE I

### Application of the Agreement

1. Pursuant to the recommendations contained in the Agreed Minute on the Consolidation of the Debt of the Republic of Honduras, signed on April 14, 2004, the applicable domestic laws of the United States and Honduras, and the September 1999 commitment of the President of the United States to provide 100 percent debt forgiveness of eligible debt to certain Heavily Indebted Poor Countries, the United States and Honduras hereby agree to the reduction of certain Honduran payments due as a result of debts owed to, guaranteed, or insured by the United States Government or its Agencies.
2. With respect to amounts owed to the Export-Import Bank of the United States ("Ex-Im Bank"), the Department of Defense ("DoD"), and the United States Agency for International Development ("USAID"), each agency will notify Honduras of the amounts reduced hereunder. This Agreement will be further implemented by a separate agreement (the "Implementing Agreement") between the Commodity Credit Corporation ("CCC") and Honduras concerning the amounts owed by Honduras to the CCC.

## ARTICLE II

### Definitions

1. "Agencies" means Ex-Im Bank, DOD, USAID and the CCC.
2. "Contracts" mean those agreements or other financial arrangements that have maturities under:
  - (a) commercial credits guaranteed or insured by the United States or its Agencies, having original maturities of more than one year, which (i) were extended to the Government of Honduras, the Honduran public sector or the Honduran Central Bank, or covered by the guarantee of the Government of Honduras, the Honduran public sector or the Central Bank of Honduras and (ii) were concluded before June 20, 1999 and
  - (b) the bilateral debt rescheduling agreements ("Rescheduling Agreements") between the United States and Honduras signed

on December 20, 1990, February 2, 1993, December 4, 1996 and August 23, 1999.

A table listing the relevant Contracts to be included under the reduction is attached hereto as Annex A.

Debt service due as a result of debts described above and effected through special payment mechanisms or other external accounts is covered by this Agreement.

3. "Consolidation Period" means: (a) the period from January 1, 2004 through December 31, 2004, inclusive, if the condition set forth in Article IV, paragraph 1 of this Agreement is satisfied; and (b) the period from January 1, 2005 through June 30, 2005, inclusive, if the conditions set forth in Article IV, paragraphs 1 and 2 of this Agreement are satisfied.
4. "Consolidated Arrears" mean 100 percent of the amounts of unpaid principal and interest, including Late Interest Charges, due as of December 31, 2003, inclusive, under the Contracts specified in this Article.
5. "Late Interest Charges" mean interest on unpaid principal and unpaid interest accrued from the original contractual due date through December 31, 2003, inclusive, and not paid in accordance with the terms of the Contracts.
6. "Consolidated Debt" means 100 percent of the amounts of principal and interest falling due during the Consolidation Period under the Contracts specified in this Article.
7. "Minute" means the Agreed Minute on the Consolidation of the Debt of the Republic of Honduras, signed on April 14, 2004.
8. "Participating Creditor Countries" means creditor countries that are signatories to the Minute.
9. "Completion Point" means the date on which the Boards of the International Monetary Fund (IMF) and the International Development Association ("IDA") decide that the Republic of Honduras has reached its Completion Point as defined under the Enhanced Debt Initiative for the Heavily Indebted Poor Countries.

### ARTICLE III

#### Terms and Conditions of Payment

1. The amount equal to 100 percent of the Consolidated Debt and Consolidated Arrears is hereby cancelled.

A table summarizing the amount of Consolidated Debt and Consolidated Arrears to be cancelled if the Consolidation Period is January 1, 2004 to December 31, 2004, inclusive, is attached hereto as Annex B1. A table summarizing the amount of Consolidated Debt and Consolidated Arrears to be cancelled if the Consolidation Period is January 1, 2004 to June 30, 2005, inclusive, is attached hereto as Annex B2.

2. Adjustments in the amounts of Consolidated Debt and Consolidated Arrears may be made in writing, as necessary and by mutual consent.

### ARTICLE IV

#### General Provisions

1. The provisions of this Agreement will apply during the period January 1, 2004 to December 31, 2004, inclusive, provided Honduras continues to have an appropriate arrangement with the International Monetary Fund (IMF).
2. The provisions of this Agreement will be extended to apply during the period January 1, 2005 to June 30, 2005, inclusive, provided that (i) the Executive Board of the IMF has approved before December 31, 2004, the 1<sup>st</sup> review under the Poverty Reduction and Growth Facility (PRGF) for Honduras and (ii) Honduras has made on due dates the payments referred to in the Minute to Participating Creditor Countries.
3. Honduras shall seek to secure from external public or private creditors not participating in the Minute reduction and reorganization arrangements on terms comparable to those set forth in the Minute for credits of comparable maturity, committing to avoid treatment more favorable than that accorded to the Participating Creditor Countries, as more specifically defined in the Minute.

4. Honduras agrees to continue to allow unrestricted and immediate access to the foreign exchange required for servicing private sector debts owed to, guaranteed by or insured by the United States and its Agencies.
5. Honduras shall pay all amounts due and not paid as of April 14, 2004 that are not covered by this Agreement and are owed to, guaranteed by, or insured by, the United States or its Agencies, as soon as possible, but no later than October 31, 2004. If these amounts are not paid by October 31, 2004, additional interest will be charged on these amounts at the rates contained in the original Contracts.
6. Except as may be modified by this Agreement, all terms of the Contracts remain in full force and effect.
7. With respect to amounts owed to Ex-Im Bank under this Agreement, Honduras (referred to as the "Government" in Annex C hereto) agrees to the additional terms and conditions set forth in Annex C.
8. With respect to amounts owed to USAID under this Agreement, Honduras (referred to as the "Government" in Annex D hereto) agrees to the additional terms and conditions set forth in Annex D.
9. With respect to amounts owed to DoD under this Agreement, Honduras (referred to as the "Government" in Annex E hereto) agrees to the additional terms and conditions set forth in Annex E.

## Article V

### Subsequent Debt Reduction

1. If Honduras maintains satisfactory financial relations with the Participating Creditor Countries, fully implements all external debt agreements signed with them, maintains a sound adjustment track record, and the Boards of the IMF and the IDA decide that Honduras has reached its Completion Point under the Enhanced Debt Initiative for the Heavily Indebted Poor Countries, the United States agrees, in principle, to participate in a Paris Club meeting convened for the purpose of considering treatment of Honduras's stock of debt. The United States agrees, in the context of equitable burden sharing among creditors, to take such actions as it deems

appropriate to enable Honduras to reach its debt sustainability objective.

## ARTICLE VI

### Suspension or Termination

1. The United States may suspend or terminate this Agreement by giving sixty (60) days written notice to Honduras. In particular, the United States may terminate all or part of this Agreement if the Participating Creditor Countries determine that Honduras has not met its obligations under the Minute, including those of comparable treatment. If the United States terminates all or part of this Agreement, all payments consolidated and cancelled under this Agreement shall be due and payable immediately upon notification to Honduras of termination of the Agreement.
2. This Agreement may be amended or modified by mutual consent of the United States and Honduras.

ARTICLE VII

Entry into Force

This Agreement shall enter into force following signature of the Agreement and written notice to Honduras by the United States that all necessary U.S. domestic legal requirements for entry into force of the Agreement have been fulfilled.

Done at Tegucigalpa, Honduras, in duplicate in the English language, this 1<sup>st</sup> day of June, 2004.



FOR THE GOVERNMENT OF THE  
UNITED STATES OF AMERICA:



FOR THE GOVERNMENT OF THE  
REPUBLIC OF HONDURAS:

Annex A  
Contracts Subject to Reduction

Ex-Im Bank

R0164  
R0190  
R0244  
R244A-R

United States Department of Agriculture ("USDA") CCC

12/20/90  
2/2/93  
8/23/99

USAID Housing Guarantees ("HG")

522-HG-005C01	522-HR-006
522-HG-005D01	522-HR-007
522-HG-006A01	522-HR-008
522-HG-008A01	522-HR-009
522-HR-001	522-HR-010
522-HR-002	522-HR-011
522-HR-003	522-HR-012
522-HR-005	

DoD

HO-917R  
HO-937R  
HO-957R  
HO-977D  
HO0997D  
HO-997E



Annex B1  
Summary of Consolidated Debt  
and Consolidated Arrears for the Consolidation Period  
January 1, 2004 through December 31, 2004  
(thousands of U.S. dollars)

Ex-Im	\$ 2,114
USDA CCC	\$10,174
USAID HG	\$26,614
DoD	\$ 7,505
 TOTAL	 \$46,407

Annex B2  
Summary of Consolidated Debt  
and Consolidated Arrears for the Consolidation Period  
January 1, 2004 through June 30, 2005  
(thousands of U.S. dollars)

Ex-Im	\$ 2,513	
USDA CCC	\$12,062	(Est)
USAID HG	\$31,594	
DoD	\$ 9,254	
 TOTAL	 \$55,423	

ANNEX C  
ADDITIONAL TERMS AND CONDITIONS WITH RESPECT TO  
AMOUNTS OWING TO EX-IM BANK

The Government of the Republic of Honduras, (hereinafter referred to as the "Government"), agrees to the following additional terms and conditions with respect to the amounts owing to Ex-Im Bank, guaranteed by Ex-Im Bank, or insured by Ex-Im Bank, pursuant to the attached Agreement between the United States of America and the Government:

A. Representations. The Government represents and warrants that it has taken all actions necessary or advisable under its laws and regulations to authorize the execution, delivery and performance of this Agreement and that this Agreement constitutes the valid and binding obligations of the Government, enforceable against the Government in accordance with its terms and for the performance of which the full faith and credit of the Government is pledged. The Government acknowledges that the activities contemplated by this Agreement are commercial in nature rather than governmental or public and agrees that, to the extent that it has or hereafter may acquire immunity from suit, judgment and/or execution, it will not assert or claim any such right of immunity with respect to any action by Ex-Im Bank to enforce the Government's obligations under this Agreement.

B. Miscellaneous Provisions.

1. Expenses. The Government shall pay on demand all reasonable costs and expenses incurred by or charged to Ex-Im Bank in connection with or arising out of this Agreement, including without limitation costs and legal fees incurred by or charged to Ex-Im Bank in connection with the enforcement of this Agreement.

2. Adjustments. On or about 135 days after the execution of this Agreement, Ex-Im Bank shall inform the Government of the actual amounts to be reduced hereunder. The parties hereto agree to make any necessary adjustments to the amounts being reduced.

3. Communications. All communications between the Government and Ex-Im Bank under this Agreement shall be in writing, in the English language (or accompanied by an accurate English translation). All communications to the Government shall be addressed to the Government at the address designated by the Government from time to time in

writing to Ex-Im Bank; all communications to Ex-Im Bank shall be addressed to Ex-Im Bank at the following address:

Export-Import Bank of the United States

811 Vermont Avenue, N.W.

Washington, D.C. 20571

Attention: Treasurer-Controller

Telex: 89461 EX-IM BANK WSH

197681 EXIM UT

**Facsimile: (202) 565-3294**

**Reference: Ex-Im Bank Loan R-0284**

4. Governing Law. The Ex-Im Bank portion of this Agreement shall be governed by and construed in accordance with, the laws of the District of Columbia, United States of America.

Annex D

ADDITIONAL TERMS AND CONDITIONS WITH RESPECT TO  
AMOUNTS OWING TO USAID

A. GENERAL PROVISIONS

1. Communications. All communications between the Government and USAID shall be in writing in the English language (or accompanied by an accurate translation). All communications to the Government shall be addressed as the Government may designate from time to time in writing to USAID. All communications to USAID shall be addressed as follows:

Chief  
Office of Financial Management, Loan Management Division  
(FM/LM)  
USAID  
1300 Pennsylvania Avenue, N.W.  
Room 2.10.56  
Washington, D.C. 20523  
Fax: (202) 216-3541

USAID may change this designated address upon written notice to the Government.

Annex E

ADDITIONAL TERMS AND CONDITIONS WITH RESPECT TO  
AMOUNTS OWING TO DoD

No failure or delay on the part of the Department of Defense to exercise any right, power or privilege under this Agreement shall operate as a waiver thereof.

All statements, reports, certificates, opinions and other documents or information furnished to the Department of Defense under this Agreement shall be supplied by the Government without cost to the Department of Defense.

The Government shall reimburse the Department of Defense, on demand, for all reasonable and documented out-of-pocket expenses (including legal fees) incurred by the Department of Defense in connection with the enforcement of this Agreement.

To the extent that the Government has or hereafter may acquire immunity from suit, judgment, and/or execution, the Government agrees that it shall not assert or claim any such right of immunity with respect to any action to enforce its obligations under this Agreement, except as provided for in the Government's judicial codes with respect to execution through the courts of the Government.

Upon entry into force of this Agreement, the Department of Defense shall consider arrears as having been rescheduled or forgiven for the purposes of resuming the provision of assistance to the Government. The Department of Defense will notify the Government of the amounts rescheduled, or forgiven.

The Department of Defense portion of this Agreement shall be governed by, and construed in accordance with, the laws of the District of Columbia, United States of America.

All communications between the Government and the Department of Defense shall be in writing, in the English language at the following address:

Defense Security Cooperation Agency  
Crystal Gateway North  
Suite 303  
1111 Jefferson Davis Highway  
Arlington, VA 22202-4306  
Facsimile: (703) 604-6538